

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:	CRIMINAL NO.
v.	:	DATE FILED: _____
JOAO SANTOS	:	VIOLATIONS: 18 U.S.C. § 1343 (wire fraud - 13 counts) 18 U.S.C. § 1001(a)(2) (false statements - 3 counts)

INDICTMENT

COUNTS ONE THROUGH THIRTEEN

THE GRAND JURY CHARGES THAT:

At all times material to this indictment:

1. Defendant JOAO SANTOS resided in the Eastern District of Pennsylvania and maintained a bank account with the Summit Bank under the name "Luxury Superstore Inc.," account number 4505000320 ("Luxury Superstore account"), and an e-mail account with America Online ("AOL") under the name "Jspinpoint."

2. Defendant JOAO SANTOS was not a registered stock broker or trader, did not have trading privileges with the Philadelphia Stock Exchange, and was not employed by or associated with any firm registered with the Securities and Exchange Commission or the National Association of Securities Dealers.

3. E.A., a person known to the grand jury, resided in the Eastern District of Pennsylvania and maintained e-mail accounts with AOL.

4. J.L, a person known to the grand jury, resided in the state of New York.

5. An AOL e-mail transmission sent from a location in Pennsylvania to another location in Pennsylvania was routed through AOL's server in Virginia, and thus was transmitted in interstate commerce.

THE SCHEME

6. From in or about September 1999 through in or about August 2001, in the Eastern District of Pennsylvania and elsewhere, defendant

JOAO SANTOS,

devised and intended to devise a scheme to defraud and to obtain money by means of false and fraudulent pretenses, representations and promises.

It was part of the scheme that:

7. Defendant JOAO SANTOS obtained from E.A. approximately \$258,535.00 by falsely representing that he had trading privileges at the Philadelphia Stock Exchange and would invest the money in stocks and securities, but did not purchase stocks or otherwise invest the funds given to him by E.A., and instead misappropriated the funds for his own use.

8. Defendant JOAO SANTOS obtained from J.L. approximately \$41,000.00 by falsely representing that he had trading privileges at the Philadelphia Stock Exchange and would invest the money in stocks and securities, but did not purchase stocks or otherwise invest the funds given to him by J.L., and instead misappropriated the funds for his own use.

9. In or about September 1999, defendant JOAO SANTOS told J.L. that he was in the process of starting his own brokerage firm and was working at the Philadelphia Stock Exchange and could serve as his long-term broker.

10. On or about September 14, 1999, defendant JOAO SANTOS caused J.L. to wire \$21,000 to defendant SANTOS's Luxury Superstore account, which J.L. instructed defendant SANTOS to invest in stocks and securities.

11. On or about October 8, 1999, defendant JOAO SANTOS sent J.L. via facsimile ("fax") transmission a monthly statement dated 9/30/99 falsely reflecting the purchase of 250 shares of Sun Microsystems, and stating that J.L.'s portfolio had a total value of \$23,250.

12. On or about October 25, 1999, defendant JOAO SANTOS caused J.L. to send SANTOS a check in the amount of \$15,868.00, made payable to "LS Trading, Inc.," with the understanding that the money would be used to purchase stock of "Human Genome Sciences," a publicly traded corporation.

13. On or about October 28, 1999, defendant JOAO SANTOS caused J.L. to send SANTOS a check in the amount of \$4668.50, made payable to "LS Trading, Inc.," with the understanding that the money would be used to purchase stock of "Filenet CP," a publicly traded corporation.

14. On or about November 18, 1999, defendant JOAO SANTOS sent J.L. via fax transmission a monthly statement dated 11/01/99 falsely reflecting the purchase of stock of Filenet CP and Human Genome Sciences, and stating that J.L.'s portfolio had a total value of \$46,855.88.

15. On or about December 6, 1999, defendant JOAO SANTOS sent J.L. via fax transmission a monthly statement dated 12/01/99 falsely reflecting additional stock purchases and stating that J.L.'s portfolio had a total value of \$86,691.88.

16. From in or about January 2000 through in or about August 2001,

defendant JOAO SANTOS sent J.L. via fax transmission several monthly statements reflecting additional stock transactions and the total portfolio value of J.L.'s investments.

17. Defendant JOAO SANTOS did not purchase stocks with the money given to him by J.L., but instead deposited the funds into the Luxury Superstore account and used the funds for his own purposes.

18. Despite J.L.'s requests, defendant JOAO SANTOS returned only some of J.L.'s money, causing J.L. to sustain a loss of at least \$20,000.

19. In or about May 2000, defendant JOAO SANTOS told E.A. that he had trading privileges with the Philadelphia Stock Exchange and could invest E.A.'s money in the stock market.

20. On or about June 1, 2000, defendant JOAO SANTOS caused E.A. to give SANTOS a check for \$75,000.00, made payable to "Elite Capital," which E.A. instructed SANTOS to invest in the stock market.

21. On or about June 5, 2000, in an e-mail to E.A., defendant JOAO SANTOS falsely stated that his commission was \$15 per trade and that he could not put E.A.'s investment portfolio on line but would forward account information upon request.

22. On or about June 11, 2000, in an e-mail to E.A., defendant JOAO SANTOS falsely stated that he had invested the money in one of his hedge funds and that it had appreciated \$1,500 in three days. Defendant SANTOS further stated that the market was performing well and urged E.A. to transfer to him E.A.'s IRA money.

23. On or about June 28, 2000, in an e-mail to E.A. about E.A.'s mother's investment in mutual funds, defendant JOAO SANTOS falsely stated that the money should not

be in mutual funds and that he could design a portfolio which would enable her to sell and receive money more quickly.

24. On or about July 17, 2000, defendant JOAO SANTOS caused E.A. to transfer to SANTOS approximately \$18,932.00 from E.A.'s IRA account, representing the entire balance in that account, which E.A. instructed SANTOS to invest in an IRA.

25. On or about October 24, 2000, defendant JOAO SANTOS gave to E.A. monthly account statements for August, September and October 2000, which falsely reflected the purchase of stock in various companies.

00 26. On or about October 25, 2000, defendant JOAO SANTOS caused E.A. to give SANTOS a check in the amount of \$40,000.00, made payable, at SANTOS direction, to "L.S. Trading," which E.A. instructed SANTOS to invest in the stock market.

27. On or about November 21, 2000, defendant JOAO SANTOS caused E.A. to wire from E.A.'s mother's account to SANTOS approximately \$125,978.00, which was the entire balance in the account.

28. On or about December 18, 2000, in an e-mail to E.A., defendant JOAO SANTOS told E.A. that it was "smarter to hold onto all stocks until the market starts to turn around."

29. On or about February 3, 2001, in an e-mail to E.A., defendant JOAO SANTOS falsely stated that although the stock market was not doing well, he was able to minimize E.A.'s losses because of his status with the Philadelphia Stock Exchange. Defendant SANTOS further falsely represented that he could not return E.A.'s money at that time, but should be able to do so within six months.

30. On or about March 31, 2001, defendant JOAO SANTOS gave E.A. account statements for the period March 1 through March 30, 2001, that purported to reflect the value of E.A.'s portfolio and that of E.A.'s mother's portfolio as of March 30, 2001, which represented that the accounts had a total value of \$207,019.00 and were comprised of stock of various companies, including, Merck Pharmaceuticals, Oracle, and Sun Microsystems.

31. On or about March 19, 2001, in an e-mail to E.A., defendant JOAO SANTOS falsely stated that he was part of a limited partnership that owned a seat on the Philadelphia Stock Exchange, and that the seat would be sold in approximately six months, at which time he would return to E.A. all of the money in E.A.'s and E.A.'s mother's accounts.

32. On or about May 15, 2001, in an e-mail to E.A., defendant JOAO SANTOS falsely stated that he had found a firm to purchase his seat on the Philadelphia Stock Exchange and would return E.A.'s money after the sale was completed in approximately three months.

33. On or about June 21, 2001, during a meeting at defendant JOAO SANTOS's office, SANTOS falsely told E.A. that E.A.'s stock was being held in the name of a limited partnership on the Philadelphia Stock Exchange and that it would take three to six months to re-register the stock in her name. Defendant SANTOS also told E.A. that her investment had lost significant value in late 2000, and as a result, he owed E.A. significantly less than E.A.'s original investment.

34. Defendant JOAO SANTOS did not invest E.A.'s money in the stock market as he represented, but instead deposited the funds into his Luxury Superstore account, and used the funds for other purposes.

35. Defendant JOAO SANTOS did not return any of E.A.'s money, causing E.A. to sustain a loss of \$258,535.00.

36. On or about the dates listed below, in the Eastern District of Pennsylvania and elsewhere, having devised and intended to devise the scheme, defendant

JOAO SANTOS,

for the purpose of executing the scheme described above, caused to be transmitted by means of wire communication in interstate commerce, that is, by fax transmission from Philadelphia, Pennsylvania, to J.L. in New York, and by e-mail transmissions from AOL account "Jspinpoint" to E.A. in Pennsylvania, which traveled through AOL's server in Virginia, the signals and sounds described below for each count, each transmission constituting a separate count:

COUNT	DATE	DESCRIPTION
1	10/8/99	fax transmission of monthly account statement for J.L. dated 9/30/99
2	11/18/99	fax transmission of monthly account statement for J.L. dated 11/01/99
3	12/6/99	fax transmission of monthly account statement for J.L. dated 12/01/99
4	2/16/00	fax transmission of monthly account statement for J.L. dated 2/08/99
5	3/10/00	fax transmission of monthly account statement for J.L. dated 3/7/00
6	6/5/00	e-mail transmission from SANTOS to E.A.
7	6/11/00	e-mail transmission from SANTOS to E.A.
8	10/19/00	fax transmission of monthly account statement for J.L. dated 10/13/00
9	2/3/01	e-mail transmission from SANTOS to E.A.

10	2/08/01	fax transmission of monthly account statement for J.L. dated 2/01/01
11	3/19/01	e-mail transmission from SANTOS to E.A.
12	5/15/01	e-mail transmission from SANTOS to E.A.
13	8/28/01	fax transmission of monthly account statement for J.L dated 8/27/01

All in violation of Title 18, United States Code, Section 1343.

Notice of Aggravating Factors Regarding Counts One Through Thirteen

In committing the offense charged in Counts One through Thirteen of this indictment, defendant JOAO SANTOS:

1. Caused a loss or attempted loss to E.A. and J.L. of approximately \$299,535.
2. Abused a position of private trust.
3. Knew or should have known that a victim of the offense was a vulnerable victim.
4. Defrauded more than one victim and used more than minimal planning.

COUNT FOURTEEN

THE GRAND JURY FURTHER CHARGES THAT:

On or about August 16, 2001, in the Eastern District of Pennsylvania, defendant

JOAO SANTOS,

in a matter within the jurisdiction of the Securities and Exchange Commission (“the “SEC”), an agency of the executive branch of the government of the United States, knowingly and willfully made a materially false, fictitious, and fraudulent statement and representation, stating in sworn testimony before the SEC that he did not tell E.A. that he was a member of the Philadelphia Stock Exchange or that he had a seat on the Exchange, when in fact SANTOS knew that he had made these representations to E.A.

In violation of Title 18, United States Code, Section 1001(a)(2).

COUNT FIFTEEN

THE GRAND JURY FURTHER CHARGES THAT:

On or about August 16, 2001, in the Eastern District of Pennsylvania, defendant

JOAO SANTOS,

in a matter within the jurisdiction of the Securities and Exchange Commission, United States Department of Justice, an agency of the executive branch of the government of the United States, knowingly and willfully made a materially false, fictitious, and fraudulent statement and representation, stating in sworn testimony before the SEC that E.A. gave SANTOS money for his pizza box advertising business, when in fact he knew that E.A. had instructed him to invest E.A.'s money in the stock market, and that E.A. had not authorized him to use the money for any other purpose.

In violation of Title 18, United States Code, Section 1001(a)(2).

COUNT SIXTEEN

THE GRAND JURY FURTHER CHARGES THAT:

On or about October 5, 2001, in the Eastern District of Pennsylvania, defendant

JOAO SANTOS,

in a matter within the jurisdiction of the Securities and Exchange Commission (“the “SEC”), an agency of the executive branch of the government of the United States, knowingly and willfully made a materially false, fictitious, and fraudulent statement and representation, stating in sworn testimony before the SEC that J.L. had given SANTOS money for investment in SANTOS’s businesses, when in fact he knew that J.L. had instructed him to invest the money in stocks and securities.

In violation of Title 18, United States Code, Section 1001(a)(2).

A TRUE BILL:

GRAND JURY FOREPERSON

PATRICK L. MEEHAN
UNITED STATES ATTORNEY